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August 17, 2011

**CHANCELLORS**

Dear Colleagues:

As you will recall, last November, the Board of Regents approved, as part of our FY 2011-12 Budget, a plan to recreate a pool from which University of California employees might receive pay increases based on merit. Moving forward with this plan, I have decided that candidates for merit increases should be confined to faculty members at all levels and to non-represented staff members who earn less than \$200,000 a year.

One purpose of this pool is to give you a tool in your efforts to recruit and, most importantly, retain leading faculty members, who increasingly are being courted by competing institutions. As I have said on many occasions, University quality cannot be compromised, and our excellent professors and researchers are the fountainhead of that quality.

Another purpose is to demonstrate to non-represented staff members that we understand and appreciate how hard they have worked, through difficult times, on behalf of the University and California. Fairness dictates that we take this step. Our non-represented staff members have not received a merit or cost-of-living increase for nearly four years and took pay cuts through the furlough program. Many are working longer hours as a result of budget-induced layoffs of their coworkers.

In addition, because of the new benefit reforms we have put in place, all non-represented employees will see their take-home pay diminish as their contributions to health and pension plans ramp up. It should be noted, as well, that most of our colleagues who are represented by unions, by virtue of existing, negotiated contracts, have received regular pay increases throughout this long-running fiscal crisis.

While the merit pool will be set at three percent of the overall base pay in the eligible categories, the program is designed to give you the flexibility you need to administer it fairly going forward. More detailed guidelines will be sent to Human Resources and Academic Personnel Officers in the near future.

Chancellors  
August 17, 2011  
Page 2

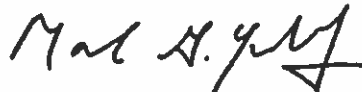
I want to emphasize, however, that the purpose of the pool is to apply the funding allocated by The Regents to reward meritorious service. Staff employees who have joined the University after January 1, 2011, or who in the same period have seen their wages adjusted as the result of promotions will not be eligible to participate in this one-year merit program.

I also would like to explain my decision to exclude senior management, which includes Chancellors, staff members who earn above \$200,000, and me--roughly 400 individuals in total. The vast majority of our senior leaders are compensated below market levels, as study after study has documented. During the furlough program, employees at the higher end of the scale saw their salaries reduced at a proportion far greater than their colleagues in the lower ranges. But, I am confident that these senior employees, notwithstanding their enormous contributions to the University, will understand that the fiscal pressures we are under make it imperative that we focus this merit pool on our faculty and those of our non-represented staff who are not at the high end of our compensation range.

Finally, in closing, I wish to express my appreciation for the commitment and determination that all our employees have demonstrated on a daily basis as stewards of this great University and the students and state that it serves.

With best wishes, I am,

Sincerely yours,



Mark G. Yudof  
President

cc: Provost Pitts  
Executive Vice President Brostrom  
Vice President Duckett  
Academic Council Chair Simmons  
Secretary and Chief of Staff Kelman